Alberta Government

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GAS ROYALTY OPERATIONS INFORMATION BULLETIN June 2013

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PLEASE ENSURE YOUR PRODUCTION ACCOUNTANTS RECEIVE A COPY OF THIS DOCUMENT

PRICING, ROYALTY RATES AND TRANSPORTATION INFORMATION

A. For Pricing, Royalty Rates and Transportation Information for April 2013, refer to the Information Letter.

The monthly default sulphur price for April 2013 is $66.95.

Annual Sulphur Default Price

2008	2009	2010	2011	2012
$297.38	$5.83	$42.19	$109.98	$98.02

B. NOTICES

Business Operations Working Committee (BOWC) Information Exchange 2013

BOWC and the Department of Energy will be conducting an information exchange session in Calgary on October 3, 2013.

Date/time: Thursday, October 3, 2013, 9:30 am to 12:00 pm
Doors open at 9:00 AM (refreshments available)
Presentation begins at 9:30 AM

Location: ConocoPhillips Conference Center
Gulf Canada Square
3rd Floor Auditorium
401 - 9th Avenue S.W.
Calgary, Alberta
T2P 2H7

Registration: Please email Connie Brailean at ODEdmOp@gov.ab.ca by Friday September 27, 2013 to register for the session. Please include the subject line: ***BOWC Info Exchange 2013*** in your email. As seating is limited, please indicate the number of attendees from your company, their names and email addresses.

The Information Exchange includes a 30 minute networking session where members of Oil and Gas Royalty Operations will be available.

Please note this session is not intended to address policy questions, rather focuses on royalty operations

C. MONTHLY INFORMATION

April 2013 Royalty Due July 31

- **Royalty clients are to remit the total amount payable shown on the July 2013 Statement of Account by July 31, 2013**. If the amount payable includes accrued current period interest, the interest has only been accrued to the statement issue date. Clients must also include the additional interest that has accrued from the statement issue date to the date of payment, using the per diem amount provided.

- **The July 2013 Statement of Account shows your amount payable as of the Statement issue date. It includes any outstanding balances from your previous statement, your April 2013 invoice amount and any applicable current period interest charges. It also identifies refunds resulting from overpayments.**

- Current period interest will not be charged on current invoice charges for the production month of April 2013 if it is paid in full by July 31, 2013.

- Current period interest will accrue on any overdue charges commencing the first day after the due-date until it is paid in full.

  Note: If the due date falls on a non-business day, the next business day will apply as the due date ***except for the month of March due to the Government of Alberta's fiscal year end.*** **In this situation, the due date will apply previous to the non-business day as the due date.**

- Cheques are payable to the Government of Alberta.

May 2013 VA4 Due July 15

The VA4 forms for the production month of May 2013 are due in the department offices by July 15, 2013.

Note: If the due date falls on a non-business day, the next business day will apply as the due date for VA4 forms.

Petrinex Deadline Submissions

The Petrinex deadline for SAF, OAF, and Volumetric submissions are posted on the Petrinex website "Reporting Calendars" under Calendars. ***Changes to this calendar will be posted on the Petrinex website home page in "Broadcast Messages."***

Interest Rate June 2013

Alberta Energy's interest rate for June is 4.00%.

March Provisional Assessment Charge

The summary of Provisional Assessment Charges for all production periods in the March 2013 billing period was:

First Time Provisional Assessment	Reversals of Provisional Assessments (Net)	Net Provisional Assessment
$2,203,856.37	**($1,149,985.47)**	**$1,053,870.90**

March Penalty Charges

The penalty table below shows at the form level, the total penalty charges and reversals, for the March 2013 billing period.

Forms	Penalty Charges	Penalty Reversals	Net Penalty Charges for 2013/03
AC2	$77,600	($7,700)	$69,900
AC4	$0	$0	$0
AC5	$2,400	$0	$2,400
NGL1	$0	$0	$0
VA2	$0	$0	$0
VA3	$0	($1,000)	($1,000)
VA4	$500	$0	$500
Total	**$80,500**	**($8,700)**	**$71,800**

Production Allocation Discrepancy (PAD) Potential Royalty Impact

As of the March 2013 billing period, the potential royalty dollar impact is estimated as $19.3 million, distributed as follows by production year:

2009	2010	2011	2012	2013
$3.9 million	$6.2 million	$6.2 million	$1.4 million	$1.6 million

NOTE: These values are not intended to show that Crown royalty has been understated but do illustrate the consequences of incorrect reporting.

Well Event Measured Depth Determination Letter

The department has issued a "Well Event Measured Depth Determination Letter" under the Report Package DOE – Gas to facility operators via Petrinex on June 1, and June 15, 2013 This letter shows the confirmed Measured Depth (MD) of each active well event that will be used to calculate the Depth Factor (DF) of the quantity component rate under the Alberta Royalty Framework formula. A well event that is not listed on the letter and does not have a confirmed MD will receive a DF of 1. When the changes to the MD are confirmed by the department, a letter is issued to a facility operator who reports changes through Petrinex to well event attributes affecting MD. All changes to the MD are applied on a go forward basis only. Facility operators are advised to submit well event attribute changes by the last day of the calendar month in order for timely determination of MD.

NGDDP Confidential Wells

Wells designated as "confidential" will be reviewed prior to the removal of the "confidential" status, if the directional surveys and completion reports are provided to the department. Please send directional surveys and completion reports to GasRoyaltyPrograms@gov.ab.ca

If you have any questions, please contact Joyce Chen at 780-427-1550.

D. INFRASTRUCTURE DATA CHANGES

Client ID Listing

The BA Identifiers Report is a directory of Business Associate (BA) names, codes, status (e.g. struck, active, amalgamated, etc.), status effective dates, and effective August 2004, includes Working Interest Owner (WIO) role start/end dates.

This report is also published daily on the Petrinex website.

The Department reminds Business Associates to review their WIO role to ensure that the start and end dates are reflected correctly. If the BA does not have an active WIO role, the operators cannot allocate volumes to the BA for the relevant production periods through the SAF/OAF allocations.

- If a BA has a WIO role, then that BA can receive SAF/OAF allocations from the WIO role start date forward.
- If a BA has a WIO role with an end date, then they can only receive SAF/OAF allocations from the WIO role start date until the end date. Any SAF/OAF allocations after the end date will be rejected.
- If a BA does not have a WIO role start date, then that BA cannot receive SAF/OAF allocations.

Please contact Client Registry at 780-422-1395, if you have any questions regarding the information supplied on this listing.

Client Status Changes

Clients must ensure that all royalty documents are completed using only valid client names and IDs. It is critical that royalty clients use current legal client names and their appropriate IDs on all documents to ensure accurate royalty calculation and to prevent provisional assessment and penalties. Rejects will occur when invalid IDs are used.

If you require information regarding client names or IDs, please contact Client Registry at 780-422-1395.

Nova Tolls - Multiple Gas Reference Prices

Royalty information related to the implementation of the Factor Model negotiated with industry for determining Multiple Gas Valuation Prices is provided on the Natural Gas website's Royalty Related Information page under Facility Royalty Trigger Factors and Meter Station Ties.

E. REMINDERS

Royalty Deposit Adjustment

The annual royalty deposit adjustment is calculated as $1/6^{th}$ of the client's previous year's royalty multiplied by a factor. The factor of 1.75 is calculated by dividing the current year's long term gas price for 2012 of 3.75 by the average 2012 Alberta Reference Price of 2.14. The adjustment will be processed in the Initial Annual Billing Period (IABP), June 2013 calendar month (April 2013 billing period invoice).

Annual Operating Cost Adjustments for 2007 and 2008 Production Years

Royalty clients may have a charge type on their February 2013 invoice titled "Annual Operating Cost Adjustment". For each of the production years 2007 and 2008, this adjustment represents a change in the Crown share of operating costs due to the annual recalculation of unit operating cost rates (UOCR). Two reports titled Annual Operating Cost Adjustment Details and Annual Operating Cost Adjustment Summary are included with the February invoice issued in April. Each prior year's actual rates from this year's UOCR calculation process are published and can be viewed at the **Unit Operating Cost Rates** link on the Royalty Related Information page on the department website.

Effective with the 2009 production year, operating costs have been distributed to owners of each facility in a similar manner as capital costs and custom processing fees. This new method of distribution does not require an estimated or actual UOCR and there is no subsequent need to recapture operating costs from non-owners at the end of a year.

For additional information, please refer to the March 2004 Supplement Information Bulletin 04-03A as well as the Changes to Gas Cost Allowance link on the department website. If you require further information on these changes, please contact your respective Volumetric & Cost Reporting portfolio representative as identified in Section F of this bulletin.

Reporting Reminders

The Compliance and Assurance Group is in the process of selecting clients for AC2 and AC5 reviews for the 2009 reporting year. Royalty clients filing AC5s are reminded to ensure that when making an AC5 claim that they have been identified as a custom user by the FCC operator who reports the CPAF information. AC5 claims that are not supported by a CPAF allocation may result in the rejection of the AC5 claim.

AC2 filers are reminded that valid CPAF information is required on all filings for 2009.

If you have any questions or concerns please contact Kris Pretty of Compliance and Assurance at 403-297-8785.

F. POINTS OF CONTACT

Quick Reference

Petrinex	Petrinexsupport@Petrinex.ca
V&CR	VCR1@gov.ab.ca
	VCR2@gov.ab.ca
	VCR3@gov.ab.ca
Gas Royalty Accounts	GasRoyaltyAccounts.Energy@gov.ab.ca
Royalty Features	GasRoyaltyPrograms@gov.ab.ca

Petrinex (formerly Petroleum Registry of Alberta)

The focal point for communications regarding preparations for, access to, or utilization of Petrinex is the Petrinex Service Desk.

Contact Information:
Phone: 403-297-6111 or 1-800-992-1144
Fax: 403-297-3665
Email: Petrinexsupport@Petrinex.ca
Website: www.Petrinex.ca

Volumetric & Cost Reporting

Volumetric & Cost Reporting is structured as a Business Associate client portfolio system, which assigns a given Business Associate to one of three teams. Listed below is the portfolio breakdown along with the Volumetric & Cost Reporting Team Leads and phone numbers. The portfolios are divided by company name and not by BA ID.

Example: If your company name is the "Gas Company" you would call the C – G team at 780-644-1202

Business Associate	Phone Number and E-mail Address	Team Lead
Numbered companies, A, B, H-P	780-644-1201 VCR1@gov.ab.ca	Mary Spearing
C – G	780-644-1202 VCR2@gov.ab.ca	Lily Hiew
Q – Z	780-644-1203 VCR3@gov.ab.ca	Jyoti Bhambhani

Gas Royalty Reception: 780-422-8727
Fax: 780-427-3334 or 780-422-8732
Alberta Toll Free: 780-310-0000

Hours of operation are 8:15 a.m. to 4:30 p.m. Voice messages left after 4:30 p.m. will be answered the next business day.

In situations where a company has just amalgamated or purchased another company, the general rule is to call the team that is responsible for the "Supra" business associate, or Royalty payer.

Below are some guidelines for clients who are unsure which Volumetric and Cost Reporting Team to call regarding their questions.

1. **Amalgamation/consolidation** - Call the team responsible for the "Supra" business associate (Royalty Payer).
   i.e. ABC Oil and Gas amalgamates with Zed Exploration and Zed is the amalgamator (royalty payer). When calling Volumetric and Cost Reporting regarding business for ABC Oil and Gas, you would call Team 3 (Q-Z) (780-644-1203) because Zed Exploration is now the Supra business associate and royalty payer. This rule would apply even if you were calling regarding business that is prior to the acquisition or amalgamation.

2. **Asset Purchase** - Call the team responsible for your company.
   i.e. 123 Gas purchases the assets of TSP Exploration, but not the company. When calling Volumetric and Cost Reporting regarding business for 123 Gas, you would call Team 1 (# Co., A, B, & H-P) (780-644-1201) because you have only purchased assets.

3. **Consultants/service providers** - If you have a contract to provide production accounting services to a company, call the team responsible for your client's company.
   i.e. Paul Snow Consulting Services enters into a contract with Duckback Oil and Gas and Olive Oil and Gas. Paul Snow would contact Team 2 (C-G) (780-644-1202) to discuss Duckback Oil business and Team 1 (# Co., A, B, & H-P) (780-644-1201) to discuss Olive Oil and Gas business. At the time the contract is signed, Paul Snow would have had each company notify the appropriate team that he was authorized for their company.

Management Information

Effective March 1, 2013, all royalty deposit inquiries are to be forwarded to the Royalty Accounting Team at GasRoyaltyAccounts.Energy@gov.ab.ca.

Royalty Accounting

All inquiries or requests that relate to royalty accounting (e.g. Transfers, Refunds, Interest, Statement of Account, Collections and Royalty Deposits) should be forwarded to the Royalty Accounting Team at GasRoyaltyAccounts.Energy@gov.ab.ca.

Royalty Features

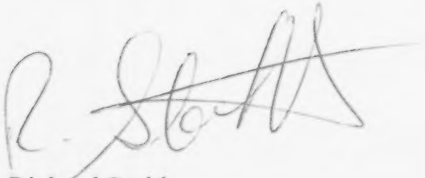
All inquiries or requests that relate to royalty programs (e.g. Natural Gas Deep Drilling Program, New Well Royalty Rates and Otherwise Flared Solution Gas Royalty Waiver Program) should be forwarded to the Royalty Features team at GasRoyaltyPrograms@gov.ab.ca.

Alberta Energy Internet

Prices, Royalty Rates and Transportation Information are available on the Alberta Energy Internet address: www.energy.alberta.ca, from "Our Business", navigate to "Natural Gas", "About Natural Gas", "Prices", "Alberta Natural Gas Reference Price (ARP)". In addition, both the Gas Royalty Information Bulletins and Information Letters are also available under "Our Business", navigate to "Natural Gas", "Legislation, Guidelines & Policies".

Reference Prices and Valuation Allowances Calculation Information

Gas Royalty Valuation and Markets
300, 801 – 6 Avenue SW
Calgary, Alberta T2P 3W2
Telephone: 403-297-5514
Fax: 403-297-5400



Richard Stokl
Director, Gas Royalty Operations
Royalty Operations